

Message Text

CONFIDENTIAL

PAGE 01 TAIPEI 05558 01 OF 02 210953Z

ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 /124 W

-----064138 211009Z /10

R 210923Z AUG 78

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 8666

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 05558

E.O. 11652:GDS

TAGS:ETRD, TW

SUBJECT: NON RUBBER FOOTWEAR - U.S. CONSULTATIONS WITH

- HONG KONG GOVERNMENT

1. SUMMARY: INTENSE DISCUSSIONS BETWEEN USG AND HKG NEGOTIATORS ON AUGUST 15-16, REGARDING U.S. CONCERN OVER RECENT SURGES OF HONG KONG FOOTWEAR EXPORTS TO THE U.S. ENDED WITH HONG KONG SIDE PUTTING FORTH FOR USG CONSIDERATION AN UNOFFICIAL PROPOSAL UNDER WHICH USG COULD DENY ENTRY TO HONG KONG FOOTWEAR ASSEMBLED FROM THIRD COUNTRY COMPONENTS. HKG REMAINED ADAMANT IN ITS REFUSAL TO CONSIDER OMA WITH U.S. AS LONG AS ITALY, A MAJOR SUPPLIER WITH RISING EXPORTS TO THE U.S., IS NOT CONTROLLED. NEXT MEETING WAS TENTATIVELY SCHEDULED FOR SEPTEMBER 11 OR 12 WHICH HOPEFULLY COULD RESOLVE THIS PROBLEM. END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TAIPEI 05558 01 OF 02 210953Z

2. ASST. STR STEPHEN LANDE DESCRIBED CONCERN OF U.S. GOVERNMENT AND U.S. DOMESTIC FOOTWEAR INDUSTRY AND LABOR REGARDING RECENT SURGE IN NON RUBBER FOOTWEAR EXPORTS FROM HONG KONG TO THE U.S. AND THE THREAT IT POSES FOR THE CURRENT ORDERLY MARKETING AGREEMENTS (OMA) AND GROG AND GROK AND THE PRESIDENT'S DOMESTIC ASSISTANCE PROGRAM.

LANDE STATED THAT THE USG REGARDED CONCLUSION OF A FOOTWEAR OMA BETWEEN THE U.S. AND HONG KONG AS THE MOST APPROPRIATE MEANS TO REMEDY THE PROBLEM. LANDE ALSO MADE IT CLEAR THAT GIVEN THE CONCERN IN WASHINGTON, FAILURE TO NEGOTIATE AN OMA WOULD ALMOST CERTAINLY LEAD TO UNILATERAL ACTION WITH GREATER ADVERSE CONSEQUENCES FOR HONG KONG THE OMA.

3. THE HKG NEGOTIATING TEAM, HEADED BY LAWRENCE MILLS, DIRECTOR OF TRADE, ASSISTED BY HK MTN DEL, PETER TSAO, IMMEDIATELY ADOPTED A HARDLINE ATTITUDE WHICH CONTINUED THROUGHOUT THE ENTIRE FIRST DAY. IN THE INITIAL SESSIONS MILLS SHOWED LITTLE SYMPATHY FOR THE U.S. PROBLEM AND WAS NOT OVERLY CONCERNED WITH CONSEQUENCES OF UNILATERAL U.S. ACTION EVEN IF HONG KONG'S LEVELS WOULD BE LOWER THAN COULD BE EXPECTED IN AN OMA. MILLS STATED THAT HONG KONG COULD NOT ENTER INTO ANY TRADE AGREEMENT WHICH PLACED QUANTITATIVE LIMITATIONS ON ITS FOOTWEAR EXPORTS. HE EXPRESSED DISMAY THAT USG WAS SINGLING OUT HONG KONG DESPITE FACT THAT ITALY WAS A SUBSTANTIALLY LARGER SUPPLIER WITH SIGNIFICANT GROWTH IN THE PAST YEAR. THE MAJOR ARGUMENT HE ADVANCED WAS THAT HONG KONG COULD NOT ENTER INTO ANY MUTUALLY AGREED UPON QUANTITATIVE RESTRICTION AT THIS STAGE OF THE MTN BECAUSE IT WOULD UNDERMINE THE UNOFFICIAL HONG KONG (AND PERHAPS LDC) POSITION ON THE MTN SAFEGUARD CODE. OMA'S ARE ONLY AC-CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TAIPEI 05558 01 OF 02 210953Z

CEPTABLE IF ALL MAJOR SUPPLIERS ARE CONTROLLED BEFORE SECONDARY SUPPLIERS ARE APPROACHED. HE ALSO ARGUED THAT (1) IT WOULD SET A DANGEROUS PRECEDENT WHICH COULD BE USED TO LIMIT HONG KONG IN OTHER PRODUCT AREAS (2) HONG KONG WAS NOT CONVINCED OF THE SO-CALLED "INJURED" CONDITION OF THE U.S. FOOTWEAR INDUSTRY AT THIS TIME AND (3) HE DID NOT FEEL THAT HONG KONG'S FOOTWEAR COMPETED DIRECTLY WITH U-/*PRODUCTION AND THEREFORE COULD BE NEITHER A SOURCE OF INJURY TO IT NOR A DISRUPTION OF THE CURRENT OMA'S WITH THE ROC AND ROK. PETER TSAO EMPHASIZED THAT AN OMA WITH HONG KONG, A SECONDARY SUPPLIER, WOULD RULE OUT ANY LDC COMPROMISE ON SELECTIVITY AND DOOM THE MTN TO FAILURE.

4. THE HK DELEGATION STATED THAT THE U.S. HAD CREATED ITS OWN CURRENT PROBLEMS BY NOT TAKING MFN GATT ARTICLE XIX ACTION INITIALLY. THEY EVEN STATED AT ONE POINT OF THE DISCUSSION THAT THEY WOULD PREFER A U.S. MFN ACTION ROLLING THEM BACK TO AN ANNUAL LEVEL OF 6 MILLION PAIRS IN (FROM A CURRENTLY PROJECTED ANNUAL LEVEL OF 28 MILLION PAIRS IN CY 1978) TO AN OMA WHICH WOULD UNDOUBTED AFFORD THEM A REASONABLY HIGHER LEVEL OF

FOOTWEAR EXPORTS TO THE U.S.

5. DURING FIRST DAY, DISCUSSIONS EXTENDED THROUGH LATE EVENING DINNER SESSION WITH BOTH SIDES ADAMANTLY PRESSING THEIR VIEWS. THE NEXT DAY, AT A PRIVATE DISCUSSION BETWEEN HEADS OF THE TWO DELEGATIONS, HK SIDE APPEARED TO BE MORE CONFIDENTIAL

SYMPATHETIC TO FINDING A SOLUTION TO THE U.S. PROBLEM. MILLS FLOATED A TENTATIVE PROPOSAL TO INSTITUTE A SYSTEM ALLOWING USG TO DENY ENTRY TO FOOTWEAR EXPORTED FROM

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 TAIPEI 05558 02 OF 02 211001Z
ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /124 W

-----064160 211008Z /10

R 210923Z AUG 78
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 8667
INFO AMEMBASSY BANGKOK
AMCONSUL HONG KONG
AMEMBASSY MANILA
AMEMBASSY SEOUL
AMEMBASSY TOKYO
USMISSION GENEVA

C O N F I D E N T I A L FINAL SECTION OF 2 TAIPEI 05558

HONG KONG BUT PRODUCED FROM NON-HONG KONG COMPONENTS. THE SYSTEM WOULD INVOLVE LICENSING OF ALL NON-RUBBER FOOTWEAR EXPORTS TO THE U.S. AND THE REQUIREMENT THAT

CERTIFICATES OF ORIGIN BE ISSUED FOR ALL SUCH EXPORTS. ALL SUCH EXPORTS.

CERTIFICATES OF HK ORIGIN WOULD ONLY BE ISSUED WHEN (1) THE FOOTWEAR UPPER AND BOTTOM WERE BOTH MANUFACTURED IN HONG KONG; AND (2) WERE FIXED TOGETHER IN HONG KONG. THE U.S. COULD DENY ENTRY TO ANY FOOTWEAR SHIPMENT NOT ACCOMPANIED BY A VALID CERTIFICATE OF HK ORIGIN. IF SYSTEM DID NOT WORK IN MEETING U.S. CONCERNS, HKG WOULD

AGREE TO COOPERATE WITH US TO WORK OUT ALTERNATE SOLUTION.
ON THE BASIS OF INFORMATION PROVIDED BY THE HKG, IT AP-
PEARED THAT MOST OF THE SURGE COULD BE ACCOUNTED FOR BY
HONG KONG ASSEMBLED TAIWANESE COMPONENTS. HONG KONG'S
IMPORTS OF TAIWANESE COMPONENTS (PLASTIC SOLES AND UPPER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TAIPEI 05558 02 OF 02 211001Z

OF NYLON/SPLIT LEATHER STRAPS) INCREASED NINE-FOLD DURING
THE PERIOD JANUARY-MAY 1977. THE HKG IN A PRELIMINARY
INVESTIGATION, FOUND THAT 36 PERCENT OF HONG KONG FOOTWEAR
EXPORTED TO THE U.S. DURING THE PERIOD NOVEMBER 1977-
FEBRUARY 1978 WERE MADE WITH TAIWANESE PARTS.

7. ALTHOUGH BOTH SIDES INDICATED THEY HAD NO AUTHORIZA-
TION EITHER OFFER OR ACCEPT SUCH A PROPOSAL, THEY AGREED
TO DRAW UP A TEXT FOR SUCH AN ARRANGEMENT AND RETURN IT
TO THEIR RESPECTIVE GOVERNMENTS FOR REVIEW. USG CLEARLY
POINTED OUT THAT IN ITS VIEW THIS WAS FAR LESS THAN WHAT
WAS BEING SOUGHT AS A SOLUTION AND THAT IT MAY PROVE TO
BE UNACCEPTABLE TO USG. HOWEVER, IN THE SPIRIT OF
COOPERATION THE DELEGATIONS EXPLORED THIS APPROACH TO
MAKE IT AS ACCEPTABLE AS POSSIBLE TO US NEEDS.
BECAUSE MILLS WILL BE TIED UP ON TEXTILE CONSULTATIONS
NEXT WEEK, IT WAS TENTATIVELY AGREED THAT A SECOND MEETING
WOULD BE HELD IN WASHINGTON ON SEPTEMBER 11 OR 12.

8. US DELEGATION IS HAND CARRYING DRAFT TEXT OF AR-
RANGEMENT AND EXPLANATORY MATERIALS TO
WASHINGTON FOR TECHNICAL AND LEGAL REVIEW AS WELL AS
FOR POLICY CONSIDERATION.

9. COMMENT: DISCUSSIONS WERE USEFUL IN DRAWING OUT THE
EXTENT TO WHICH HKG WOULD BE WILLING TO GO IN MEETING
U.S. NEEDS. THE HK OFFER TO ALLOW THE U.S. TO DENY ENTRY
TO MERCHANDISE PRODUCED FROM FOOTWEAR PARTS IMPORT-
ED FROM THIRD COUNTRIES WAS A REVERSAL OF HKG'S RIGID
POSITION EXPRESSED IN PREVIOUS INFORMAL DISCUSSIONS. THE
PROPOSED SYSTEM HOLD THE PROMISE THAT OMA-EVADING TRADE
WILL BE SHARPLY CURTAILED. THE TONE OF THE HK NEGOTIATORS
ON THE SECOND DAY WAS THAT THE CONSEQUENCES OF UNILATERAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TAIPEI 05558 02 OF 02 211001Z

ACTION WERE SUCH THAT THEY WOULD LIKE TO MAKE THE SYSTEM
WORK. NEVERTHELESS, THE BURDEN OF ACTION TO
DENY ENTRY TO UNCERTIFIED PRODUCTS CLEARLY WOULD FALL
ON THE U.S. UNDER THIS PROPOSAL, RAISING QUESTIONS OF

LEGALITY AND ADMINISTRATION. OF THE VARIOUS OPTIONS UNDER CONSIDERATION, THE HONG KONG PROPOSED SYSTEM IS THE MOST EXPEDIENT APPROACH AND DESERVES FULL REVIEW, INASMUCH AS ITS INSTITUTION COULD RESOLVE PROBLEM WITHOUT UNILATERAL ACTION WHICH NEITHER USG NOR HONG KONG WOULD FIND DESIRABLE. SURGE APPEARS TO BE FROM HONG KONG ASSEMBLY OF TAIWANESE PARTS WHICH WOULD BE DENIED ENTRY INTO U.S. IF THE SYSTEM IS NOT SUCCESSFUL IN RESOLVING PROBLEM, HKG IS PREPARED TO SEEK MUTUALLY ACCEPTABLE SOLUTION TO MEET US CONCERNS. CAREFUL ATTENTION NEEDS TO BE GIVEN TO THE FEASIBILITY AND POTENTIAL EFFECTIVENESS OF THIS SYSTEM (INTERAGENCY FOOTWEAR GROUP DID NOT CONSIDER A SYSTEM WITH SUCH STRICT CRITERIA) AND TO WHAT FOLLOW-UP WILL BE NEEDED TO (1) GAUGE THE EFFECTIVENESS AND (2) TAKE FURTHER ACTION IF RESULTS PROVE TO BE UNSATISFACTORY.

10. A JOINT PRESS ANNOUNCEMENT WAS RELEASED DESCRIBING THE TALKS AS USEFUL AND STATING THAT BOTH SIDES WOULD REPORT BACK TO THEIR RESPECTIVE GOVERNMENTS WITH A VIEW TOWARD MEETING AGAIN IN WASHINGTON IN EARLY SEPTEMBER. FOLLOWING MORNING BRIEF STORIES APPEARED IN LOCAL NEWSPAPERS. QUOTING THE PRESS RELEASE.
UNGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOOTWEAR
Control Number: n/a
Copy: SINGLE
Draft Date: 21 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TAIPEI05558
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780341-0048
Format: TEL
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780840/aaaabhjy.tel
Line Count: 248
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 930fdd5f-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1671756
Secure: OPEN
Status: NATIVE
Subject: NON RUBBER FOOTWEAR - U.S. CONSULTATIONS WITH - HONG KONG GOVERNMENT
TAGS: ETRD, TW
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/930fdd5f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014